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14 November 1957

CMCC Doc. No. 151X5.823

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Dear Dan:

In your letter of 23 August 1957 No. 18736 authorizing us to proceed with work on additional quantities of data-reduction racks, you state that contract funding will be increased by [REDACTED] 25X1A including fee. Amendments 11 and 13 also made certain changes in the quantities of data-reduction racks, and you adjusted the funding based on previously estimated costs for these quantities.

As you know, we have proceeded with the fabrication of data-reduction equipment based on the quantities set forth in Amendment 10 to the contract. We did not make any change in production quantities until the receipt of your 23 August letter at which time we proceeded to work on the difference between the new total and the Amendment 10 quantities as summarized in Exhibit A.

Substantial additional engineering work and resulting production rework on data-reduction racks already produced has been required in connection with the first order of equipment. These additional engineering costs and additional production rework costs were set forth in a separate proposal to you, our letter dated October 4, 1957 CMCC Doc. No. 151X5.754 and enclosures. The effect of these engineering changes has been to change the manufacturing cost of a number of the individual racks. We have already advised you of the increase in estimated cost of the G rack to [REDACTED] 25X1A In addition, the estimated cost of the C rack and the F rack have increased respectively to [REDACTED] 25X1A The net effect of Amendments 11, 13, and your 23 August letter has been to increase the quantity of A racks by one unit. Fabrication of a single unit is substantially higher cost than a multiple quantity, and there have been certain changes in the A rack as well. Accordingly, we are enclosing new cost estimates for the A, C, and F racks applicable to the second production run.

You have used estimates as the basis for funding the L, M, and N racks, and we have not yet submitted production cost proposals because engineering development work which may effect production is still going on on these racks.

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Using these new figures for the costs of the A, C, F, and G racks and old figures where no changes have been made, the total estimated cost for racks in addition to the Amendment 10 quantities will be

25X1A [REDACTED] as summarized in Exhibit B.

We will forward firm proposals on production of the L, M, and N racks as soon as the changes now in process have been firmed up.

Sincerely,


Dean

Enclosures:

Copies 1-3 of 5 copies of the
following CMCC Doc. Nos.

1134X5.60

1132X5.175

1132X5.176

cc: H. A. W. - AGO
Copy 4 of the above

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